

Arcus

Quarterly Report

Q2 2018



THINK BEFORE
YOU DRINK. MAKE
GREAT MOMENTS
EVEN BETTER.

Arcus

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Message from the CEO

We are pleased to see continued growth in reported revenue for two of our three business segments, Wine and Distribution. Wine benefitted from strengthened portfolios and increased demand, while Distribution benefitted from strong demand. For the third business segment, Spirits, reported revenue was nearly flat during the quarter.

A large part of Easter sales occurred in Q1 this year, affecting Q2 negatively. Reported revenue growth was 4.0¹ percent compared to Q2 last year, while organic growth was 3.6 percent.

Wine. The wine businesses in Sweden and Norway had strong growth during Q2. Wine benefitted from having a stronger portfolio with lighter wines adapted to the warm summer weather and new popular reds. This led to increased market shares in growing markets in both Sweden and Norway. Very unfavourable exchange rates, especially for the SEK versus EUR, reduced profitability.

Spirits. Revenues in Denmark and Germany were down during the quarter, partly due to destocking and weak development in consumer off-take in Germany, and a generally weak Danish spirits market. Organic sales in Norway declined slightly more than the market, while sales in the Duty Free Travel Retail-channel increased significantly.

Distribution. The progress continued in Q2. The main reasons are new customers, more volume from existing customers and wider demand among existing customers. Personnel and operating costs increased, mainly because of increased volume and peaks due to favourable weather.



Kenneth Hamnes
Group CEO

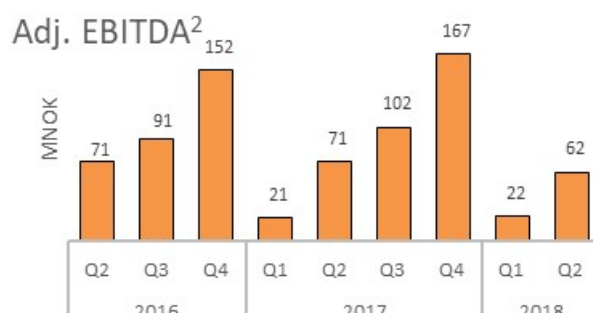
¹ The application of IFRS15 had a positive effect of 7.2 MNOK on reported revenue in the quarter (+1.1%); cf. Note 2

Key figures Q2 2018

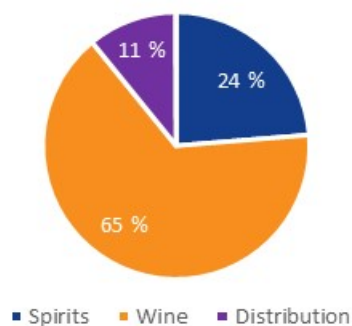
CONSOLIDATED GROUP FIGURES

MNOK	Second quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Total operating revenue	673.2	647.4	1 230.2	1 140.9	2 575.1
Gross profit ¹⁾	274.9	279.6	516.2	504.5	1 166.5
EBITDA ¹⁾	71.3	68.0	88.2	89.0	347.6
EBITDA adjusted ¹⁾	61.6	71.1	83.7	92.4	360.8
Pre-tax profit	50.4	47.3	44.6	45.9	258.7
Earnings per share, parentcompany shareholders (NOK)	0.57	0.50	0.46	0.46	2.66
Key figures					
Gross margin ¹⁾	40.8 %	43.2 %	42.0 %	44.2 %	45.3 %
EBITDA margin ¹⁾	10.6 %	10.5 %	7.2 %	7.8 %	13.5 %
EBITDA margin adjusted ¹⁾	9.1 %	11.0 %	6.8 %	8.1 %	14.0 %
Equity ratio ¹⁾	36.0 %	36.9 %	36.0 %	36.9 %	36.8 %
Financial position					
Total equity	1 482.8	1 477.5	1 482.8	1 477.5	1 669.4
Net interest bearing debt (cash) ¹⁾	952.4	922.4	952.4	922.4	821.4

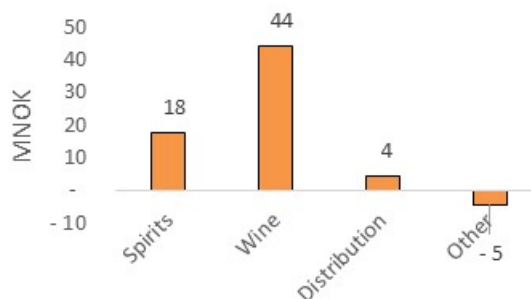
¹⁾ Alternative Performance Measure (APM) – see separate chapter for definition and reconciliation.



Operating revenue per segment¹⁾



Adj. EBITDA pr segment^{1,2)}



¹⁾ Figures for Q2 2018; ²⁾ Adjusted EBITDA is EBITDA adjusted for non-recurring effects, but is not corrected for foreign exchange effects. See separate chapter/note on APM for reconciliation. "Other" segment represents HQ and eliminations;

Highlights Q2 2018

OVERALL PERFORMANCE

- **Operating revenue** for Q2 2018 was 673.2 MNOK, compared to 647.4 MNOK in Q2 last year (+4.0 percent)³, in a quarter that last year included Easter. Operating revenue increased for the Wine and Distribution segments, but was flat for the Spirits segment. Organic growth for Q2 was 3.6 percent.
- **Adjusted EBITDA** for Q2 was 61.6 MNOK, compared to 71.1 MNOK Q2 last year (-13.4 percent). The lower margin was mainly due to negative currency effects in Wine, higher personnel costs in Distribution, and unfavourable mix in Spirits.

BUSINESS SEGMENTS

- **Wine** revenues amounted to 436.2 MNOK, compared to 417.9 MNOK in Q2 last year (+4.4 percent). Organic growth was 7.2 percent. Adjusted EBITDA margin was 10.1 percent for Q2 2018, compared to 10.8 percent in Q2 last year. Higher shares and demand increased revenue; unfavourable FX hampered profits.
- **Spirits** revenues amounted to 194.6 MNOK, compared to 195.4 MNOK in Q2 last year (-0.4 percent). Organic revenue was negative 6.4 percent⁴. Adjusted EBITDA margin was 9.1 percent for Q2, compared to 14.0 percent in Q2 last year. Lower sales and unfavourable market and product mix reduced margins.
- **Distribution** revenues amounted to 77.6 MNOK compared to 70.8 MNOK in Q2 last year (+9.5 percent). Adjusted EBITDA for Q2 2018 was 4.3 MNOK, compared to 3.8 MNOK in Q2 2017 (+13.2 percent). Higher personell and external distribution costs reduced the EBITDA-impact of the incremental revenues.

OUTLOOK

- Over the next years, Arcus ASA is well positioned to meet the financial targets outlined at the IPO.
- In the short term, we are taking action to mitigate the profit impact of lower sales, unfavourable mix and negative currency impacts

More details on outlook is provided in the half-year review

³ The application of IFRS15 had a positive effect of 7.2 MNOK on reported revenue in the quarter (+1.1%); cf. Note 2

⁴ Calculated on external spirits sales

Half-year review

This half-year review presents highlights only. Additional details are available in the Group's interim report for Q1 and the review of Q2 results in this report. The interim reporting does not include all information that is normally prepared in a full annual financial statement, and should also be read in conjunction with the Group's annual financial statement as at 31.12.2017.

FINANCIAL RESULTS

Operating revenue for the first half year was 1 230.2 MNOK vs. 1 140.9 MNOK (+7,8%) in the same period last year. Organic growth was 5.1 percent in the period with the Wine and Distribution business seeing solid growth, while the Spirits segment was down. Reported operating revenue was helped by the impact from the Vanlig and Hot n'Sweet acquisitions and stronger EUR, but hampered by the weakness of the SEK vs. the NOK.

Adjusted EBITDA for the first half year was 83.7 MNOK vs 92.4 MNOK for the same period last year. Acquisitions and the positive development of the Wine and Distribution business contributed positively to the results, but lower Spirits margins had a negative effect. Wine margins were negatively impacted by the weak SEK vs. EUR, and Spirits margins were reduced by inventory revaluation, increased A&P and other costs connected with strategic initiatives.

CASH FLOW AND FINANCIAL POSITION

Reported net cash flow from operations before tax YTD was 16.8 MNOK vs. -35.4 last year, with similar levels of EBITDA. Cash flow from operations was boosted by the receipt of an overdue receivable from Vinmonopolet (50 MNOK) that had a due date

in the last weekend of 2017 and was paid on the first banking day in 2018.

OUTLOOK

Arcus ASA operates in non-cyclical wine and spirits markets with moderate and steady growth, but with some variations between the different categories, countries and seasons. Tender wins, new products, operational efficiency improvements in Arcus' three business segments and minor bolt-on acquisitions will contribute to profitable growth going forward. Over the next years, Arcus ASA is well positioned to meet the financial targets outlined at the IPO.

In the short term, we are taking action to mitigate the profit impact of lower sales and unfavourable mix in the Spirits segment by reducing costs in the current year, focusing on items that will have the low impact on sales. In addition, on the Wine segment, we maintain our strategy of compensating for unfavourable currency impacts by adjusting consumer prices. The first opportunity to adjust prices in Sweden and Norway is September 1.

LONG-TERM FINANCIAL TARGETS

As communicated in connection with the IPO, Arcus targets organic revenue growth in the level of 3-5 percent p.a. (including minor bolt-on acquisitions), as well as EBITDA growth of 6-9 percent p.a. over the next three to five years.

SEASONAL VARIATIONS

The business of Arcus is seasonal. Sales of wine and spirits increase during national festivals and holidays, in particular Easter and Christmas. Q4 is normally the strongest quarter in terms of income as well as operating profit due to Christmas and New Year's Eve.

DECLARATION BY THE BOARD OF DIRECTORS

The Board of Directors and Chief Executive Officer confirm, to the best of our knowledge, that the unaudited, condensed financial statements for the period 1 January to 30 June 2018 including notes, have been prepared in accordance with IAS 34 – Interim Financial Reporting, as determined by the EU and Norwegian Additional Requirements in the Securities Trading Act. It is also stated that the information in the condensed financial statement, provides a fair view of the business, and the Group's assets, liabilities, financial position and overall results.

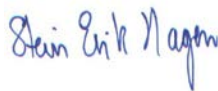
Nittedal, 15 August 2018
The Board of Directors of Arcus ASA



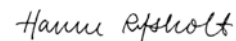
Kenneth Hamnes
CEO



Michael Holm Johansen
Chairman of the Board



Stein Erik Hagen



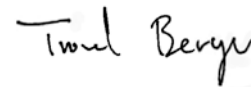
Hanne Refsholt



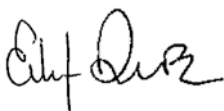
Leena Maria Saarinen



Ann-Beth Freuchen



Trond Berger



Eilif Due



Erik Hagen



Therese Jacobsen



Konstane Kjøl

Wine: Revenue growth, but negative FX-effect

MNOK	Second quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Total operating revenue	436.2	417.9	780.1	723.0	1 540.9
Gross profit ¹⁾	100.3	102.5	181.1	174.9	386.5
Gross margin ¹⁾	23.0 %	24.5 %	23.2 %	24.2 %	25.1 %
EBITDA ¹⁾	43.3	45.2	64.6	67.4	186.5
EBITDA adjusted ¹⁾	44.2	45.2	69.9	67.4	191.7
EBITDA margin ¹⁾	9.9 %	10.8 %	8.3 %	9.3 %	12.1 %
EBITDA margin adjusted ¹⁾	10.1 %	10.8 %	9.0 %	9.3 %	12.4 %

¹⁾ Alternative Performance Measure (APM) – see separate chapter for definition and reconciliation.

OPERATING REVENUE

Total operating revenue for Wine was 436.2 MNOK for the second quarter, compared to 417.9 MNOK in Q2 last year. Reported growth was 4.4 percent, while organic growth was 7.2 percent as weaker SEK vs. NOK reduced reported revenues.

Across all markets, Q2 sales were positively affected by the warm weather, but April sales were lower than last year due to Easter in Q1 this year.

In Sweden, Arcus' sales at Systembolaget increased more than the market growth of 4.3 percent, resulting in increased market shares. A portfolio well positioned within the growing categories of lighter products, together with increased marketing, more than compensated for lower sales of red wine best-sellers.

In Norway, sales at Vinmonopolet grew by 0.3 percent. Arcus' sales was driven by a strengthened portfolio adjusted towards the increased demand for lighter categories such as white wine, sparkling and rosé, leading to increased market shares in the period.

In Finland, the increased alcohol tax on wine and Easter in Q1 this year, led to a decline in sales at Alko. Arcus' sales to Alko in the period decreased slightly more than the decline in overall sales out of Alko.

Own wine brands experienced further growth and increased distribution in Sweden, Finland and in the Duty Free Travel Retail-channel.

EBITDA

The adjusted EBITDA-margin for Wine was 10.1 percent in the second quarter compared to 10.8 percent in the same period last year.

Price adjustments in Norway and stable indirect costs compensated partly for the stronger EUR and higher sales of new products with typically lower margins.

WINE

Arcus is the largest importer of wine in Norway, the second largest in Sweden, and the third largest in Finland. Arcus imports and markets agency wines, as well as Arcus brands.

Spirits: Flat revenue, lower margins

MNOK	Second quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Sales	155.7	159.6	297.2	291.1	763.4
Other revenue	38.9	35.8	76.1	74.7	149.9
Total operating revenue	194.6	195.4	373.3	365.8	913.3
Gross profit ¹⁾	99.9	108.2	197.2	204.4	508.4
Gross margin ¹⁾	51.3 %	55.4 %	52.8 %	55.9 %	55.7 %
EBITDA ¹⁾	17.0	27.1	28.2	43.2	175.6
EBITDA adjusted ¹⁾	17.6	27.4	29.2	43.7	182.8
EBITDA margin ¹⁾	8.7 %	13.9 %	7.6 %	11.8 %	19.2 %
EBITDA margin adjusted ¹⁾	9.1 %	14.0 %	7.8 %	12.0 %	20.0 %

¹⁾ Alternative Performance Measure (APM) – see separate chapter for definition and reconciliation.

OPERATING REVENUE

Total operating revenue for Spirits first quarter 2018 was 155.7 MNOK, compared to 159.6 MNOK for the same period last year, a decline of 2.1 percent.

Organic growth was negative 6.4 percent¹⁾, acquisitions contributed 7.4 MNOK in the period and there was a negative currency effect of 0.5 MNOK.

Organic revenues declined in all markets except Duty Free Travel Retail. The decrease was small in Norway, Sweden and Finland, with larger declines in Germany and Denmark.

In the Nordic monopoly markets, a large part of the Easter sales occurred in Q2 last year and in Q1 this year, with negative effect on sales in the quarter. In Norway, organic sales in the quarter decreased slightly more than the market. Organic sales were fairly flat in Sweden and Finland.

Revenues in Denmark were down, driven by a weak spirits market, although Arcus continued to take market share in the aquavit market.

Sales to Germany were significantly lower than last year. May 1st, Arcus' importer in Germany, Eggers & Franke, was acquired by Rotkäppchen Mumm. This has led to continued and significant destocking in the quarter. In addition, the consumer offtake was also

lower than last year. Sales in the Duty Free Travel Retail-channel increased significantly, with a positive sales development in almost all product categories.

EBITDA

The adjusted EBITDA margin for Spirits was 9.1 percent for Q2 2018, compared to 14.0 percent Q2 2017.

The main reasons for the lower margin in the quarter were the decline in organic sales, a negative market mix, a higher share of the revenue coming from low margin internal wine bottling services, negative currency effects, and a reduction in the internal transfer price for wine bottling services. Gains from M&A contributed positively in the quarter.

SPIRITS

Arcus is a global leader in aquavit with brands such as Gammel Opland, Linie, Løiten and Aalborg. Other important categories are bitter (Gammel Dansk), vodka (Vikingfjord, Kalinka, Amundsen and Dworek) and cognac (Braastad). Key markets are Norway, Denmark, Sweden, Finland, Germany and Duty Free Travel Retail (DFTR). Arcus brands are produced and bottled at Gjelleråsen, outside Oslo.

¹⁾ Calculated on external spirits sales

Distribution: Increased revenue & market share

MNOK	Second quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Total operating revenue	77.6	70.8	143.1	129.5	284.4
Gross profit ¹⁾	77.6	70.8	143.1	129.5	284.4
<i>Gross margin</i> ¹⁾	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
EBITDA ¹⁾	4.2	3.8	0.0	-0.6	13.5
EBITDA adjusted ¹⁾	4.3	3.8	0.1	-0.6	14.1
EBITDA margin ¹⁾	5.5 %	5.4 %	0.0 %	-0.5 %	4.7 %
EBITDA margin adjusted ¹⁾	5.5 %	5.4 %	0.1 %	-0.5 %	5.0 %

¹⁾ Alternative Performance Measure (APM) – see separate chapter for definition and reconciliation.

VOLUME

Distributed volume in the second quarter was 12.4 million liters, an increase of 0.9 million liters from the same quarter last year. This equals an increase of 7.5 percent, while Vinmonopolet's total volume in the second quarter declined by 2.9 percent. The volume growth was driven by new customers, and growth for existing customers.

By the end of the second quarter, Distribution had a market share of 47.6 percent of volume delivered to Vinmonopolet, compared to 43.9 percent same period last year. Volume in the horeca-channel had double-digit growth.

OPERATING REVENUE

Operating revenue increased by 9.5 percent to 77.6 MNOK in the quarter, compared to 70.8 MNOK in the same period last year. Higher volumes and

increased demand for storage and other services were driving this positive development.

EBITDA

Adjusted EBITDA in the fourth quarter was 4.3 MNOK, compared to 3.8 MNOK same quarter last year. Increased volumes in May and June led to higher use of overtime and temps, as well as higher external distribution costs. This cost increase reduced the positive EBITDA-impact of higher revenues.

DISTRIBUTION

Vectura is the leading integrated logistics service provider for alcoholic beverages in Norway. Vectura serves both Arcus-Gruppen AS and external customers. Vectura is located next to Arcus' production facility at Gjelleråsen, outside Oslo.

Financial position and other information

CASH FLOW AND FINANCIAL POSITION

Reported net cash flow from operations before tax in Q2 2018 was 35.1 MNOK, compared to 50.0 MNOK in Q2 2017 (-14.9 MNOK), driven mainly by lower adjusted EBITDA compared to the corresponding quarter last year.

Cash flow from operations in Q2 was negatively impacted by higher net working capital at the end of the quarter versus the level at the end of Q1. This increase in net working capital, which occurs every year in Q2, is due to inventory build-up related to production smoothing.

Net interest bearing debt was 952.4 MNOK, compared to 922.4 MNOK as at the end of Q2 2017. A lower opening cash position and slightly lower cash flow during the quarter increased net debt compared to last year, while lower SEK/NOK currency rate reduced the NOK-value of the SEK-denominated long-term bank loan.

OTHER INFORMATION

DIVIDEND

In Q2 2018, Arcus ASA paid a dividend of 113 MNOK to its shareholders, equal to 1.66 NOK per share. This corresponds to 60 percent of the profit for the year 2017, and is at the mid-range of the 50-70 percent dividend target. For 2016 the dividend per share was 1.47 NOK per share.

PURCHASE OF NON-CONTROLLING INTEREST

Arcus acquired 10.1 percent of the shares of Symposium Wines AS. Arcus' shareholding in the company is 90.1 percent after the purchase.

CANICA INCREASED ITS OWNERSHIP TO 40.03 PERCENT

Canica passed the threshold of 1/3 ownership in Arcus ASA 12 June. On 5 July Canica put forward a mandatory offer to all Arcus' shareholders to buy their shares at 45 NOK each. The offer was valid until 2 August.

The Board of Directors (BoD) of Arcus, in line with its legal obligation, issued a statement on the offer. According to the BoD's overall assessment, including Carnegie's fairness opinion, Canica's offer was not fair from a financial point of view. As a result, the Board did not recommend to the shareholders of Arcus to accept Canica's offer.

Canica received acceptances corresponding to approximately 6.63 per cent of the issued shares and votes in Arcus, increasing their ownership to 40.03 percent. Normally, crossing the 40 percent ownership threshold would trigger another mandatory offer. However, since Canica passed the threshold as a result of a previous mandatory offer, no new mandatory offer requirement was triggered.

If however at some point in time a shareholder passes the threshold of 50 percent ownership, a new mandatory offer has to be made.

Group consolidated accounts

The interim financial statement has not been audited.

CONDENSED STATEMENT OF INCOME

MNOK	Note	Second quarter		Year to date		Year end
		2018	2017	2018	2017	2017
Sales	2,9	658.6	633.4	1 204.4	1 116.3	2 530.1
Other revenue	2	14.6	14.0	25.8	24.5	44.9
Total operating revenue	2,9	673.2	647.4	1 230.2	1 140.9	2 575.1
Cost of goods		-398.3	-367.8	-714.0	-636.4	-1 408.5
Gross Profit		274.9	279.6	516.2	504.5	1 166.5
Gain on sale of fixed assets		0.2	0.0	0.2	0.0	0.0
Salaries and personnel cost		-106.3	-103.9	-216.4	-209.1	-417.4
Advertising & Promotion expenses (A&P)		-33.7	-33.1	-64.8	-58.8	-122.7
Other operating expenses		-73.3	-70.8	-149.3	-143.5	-269.0
Share of profit from AC ¹⁾ and JCE ²⁾		-0.2	-0.7	-2.1	-0.7	3.3
Other income and expenses	3	9.7	-3.2	4.5	-3.3	-13.2
EBITDA		71.3	68.0	88.2	89.0	347.6
Depreciation	5,6	-10.5	-11.1	-20.8	-22.7	-44.2
Amortisations	5,6	-1.9	-1.8	-3.9	-3.6	-7.4
Write downs		0.0	0.0	0.0	0.0	-22.7
Operating profit (EBIT)		58.9	55.1	63.5	62.8	273.3
Financial income	12	3.2	2.7	5.3	4.0	25.9
Financial expenses	7,10,12	-11.7	-10.5	-24.2	-21.0	-40.4
Pre-tax profit		50.4	47.3	44.6	45.9	258.7
Tax		-10.9	-12.3	-11.3	-12.4	-70.5
Profit/loss for the year		39.6	35.0	33.3	33.5	188.2
Profit/loss for the year attributable to parent company shareholders		38.2	33.7	31.0	31.2	181.3
Profit/loss for the year attributable to non-controlling interests		1.4	1.3	2.3	2.2	6.9
Earnings per share, continued operations		0.56	0.50	0.46	0.46	2.66
Diluted earnings per share, continued operations		0.54	0.49	0.44	0.45	2.62

¹⁾Associated Companies, ²⁾Jointly Controlled Entities

CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME

MNOK	Note	Second quarter		Year to date		Year end
		2018	2017	2018	2017	2017
Profit/loss for the year		39.6	35.0	33.3	33.5	188.2
Items that will not be reclassified against the statement of income						
Change in actuarial gains and losses pensions		0.0	0.0	0.0	0.0	4.4
Tax on change in actuarial gains and losses pensions		0.0	0.0	0.0	0.0	-1.1
Total items that will not be reclassified against the statement of income		0.0	0.0	0.0	0.0	3.4
Items that may be reclassified against the statement of income						
Translating differences in translation of foreign subsidiaries		-12.6	35.0	-34.6	41.9	73.2
Tax on translating differences in translation of foreign subsidiaries		0.0	0.0	0.0	0.0	0.0
Total items that may be reclassified against the statement of income		-12.6	35.0	-34.6	41.9	73.2
Total other comprehensive income		-12.6	35.0	-34.6	41.9	76.6
Total comprehensive income for the year		27.0	70.0	-1.2	75.4	264.8
Total comprehensive income for the year attributable to parent company shareholders		26.1	68.3	-2.0	72.5	256.7
Total comprehensive income for the year attributable to non-controlling interests		0.8	1.7	0.7	2.8	8.1

CONDENSED STATEMENT OF FINANCIAL POSITION

MNOK	Note	Year to date		Year end
		2018	2017	2017
Intangible assets	6	1 840.4	1 772.7	1 891.4
Tangible assets	5	321.9	335.4	329.8
Deferred tax asset		135.4	172.9	136.8
Financial assets		55.2	48.8	60.1
Total fixed assets		2 352.9	2 329.7	2 418.1
Inventories		474.6	443.4	410.8
Accounts receivables and other receivables		1 158.2	1 104.5	1 519.1
Cash and cash equivalents		134.7	126.9	184.4
Total current assets		1 767.5	1 674.8	2 114.2
Total assets		4 120.4	4 004.6	4 532.4
Paid-in equity		772.1	772.1	772.1
Retained earnings		706.7	690.5	878.5
Non-controlling interests		1.9	14.9	18.8
Total equity		1 480.6	1 477.5	1 669.4
Non-current liabilities to financial institutions	8	675.4	734.8	742.8
Non-current liabilities at fair value through profit or loss	7,10	67.9	0.0	0.0
Non-current finance lease liabilities	8	163.1	174.7	166.4
Pension obligations		30.6	34.3	30.6
Deferred tax liability		97.3	97.6	101.0
Other non-current provisions		0.2	0.5	0.3
Total non-current liabilities		1 034.6	1 041.9	1 041.1
Bank Overdraft	8	231.1	115.9	72.7
Current liabilities at fair value through profit or loss	7,10	0.0	13.8	0.0
Current finance lease liabilities	8	12.0	16.5	17.4
Tax payable		0.0	0.0	2.1
Accounts payable and other payables		1 362.0	1 338.9	1 729.6
Total current liabilities		1 605.2	1 485.1	1 821.8
Total equity and liabilities		4 120.4	4 004.6	4 532.4

CONDENSED STATEMENT OF CHANGES IN EQUITY

MNOK		30.06.2018			30.06.2017		
Statement of changes in equity	Note	Attributed	Non-	Total	Attributed	Non-	Total
		to equity holders of the parent company	controlling interest	equity	to equity holders of the parent company	controlling interest	equity
Equity 1 January		1 650.6	18.8	1 669.4	1 488.7	13.9	1 502.6
Total comprehensive income for the period		-2.0	0.7	-1.2	72.5	2.8	75.4
Dividends		-112.9	-5.1	-118.0	-100.0	-2.2	-102.2
Sharebased payments	10,11	4.6	0.0	4.6	4.1	0.0	4.1
Change in non-controlling interest		-61.5	-12.6	-74.1	-0.5	-1.9	-2.4
Equity at the end of period		1 478.7	1.9	1 480.6	1 464.8	12.7	1 477.5

In several of the Group's wine companies, there are non-controlling interests. For most of these non-controlling interests, there are put options associated, which the non-controlling interest can claim at a certain point of time in the future. Although the the Group does not have control of the shares at the end of the reporting period, the Group has neither control of the possible exercise of the put-option. Because of this, these non-controlling interests are recognized as though they are owned by the Group, but with partial presentation of the non-controlling interests. Partial presentation of non-controlling interests means that the non-controlling interests' share of the profit for the year is shown in the statement of income, whereas no non-controlling interests are stated in the equity. At period end, the non-controlling interests' share of the profit for the year, adjusted for the dividend distributed for the period, are reclassified from non-controlling interest to the majoritys share of equity.

The presented remaining non-controlling interest in the equity is non-controlling interests where there are no put-options associated.

CONDENSED STATEMENT OF CASHFLOW

MNOK	Note	Second quarter		Year to date		Year end
		2018	2017	2018	2017	2017
Pre-tax profit		50.4	47.3	44.6	45.9	258.8
Depreciation and amortisations	5,6	12.4	12.9	24.7	26.3	74.3
Received dividend from associated companies		0.4	0.0	0.4	0.0	0.0
Net interest in period		9.2	7.7	16.7	15.1	31.5
Other items without cash effect		-2.7	12.2	-5.5	18.3	12.1
Change in inventories		-26.7	-29.7	-63.8	-64.6	-31.8
Change in receivables		-23.8	-158.4	368.0	375.1	-50.0
Change in payables		15.9	157.9	-368.3	-451.4	-61.6
Cash flow from operating activities before tax		35.1	50.0	16.8	-35.4	233.2
Tax paid		-9.4	-9.6	-20.0	-22.3	-33.2
Cash flow from operating activities		25.7	40.3	-3.2	-57.7	199.9
Proceeds from sale of tangible & intangible fixed assets		0.2	0.0	0.2	0.0	0.0
Payments on acquisition of tangible & intangible fixed assets	5,6	-5.0	-2.8	-11.6	-5.5	-22.2
Payments on acquisition of Brands	6	0.0	0.0	0.0	-4.0	-118.6
Payments on acquisition of operations		0.0	0.0	0.0	1.2	-2.8
Other investments		0.0	0.0	0.0	0.0	-0.4
Cash flows from investment activities		-4.9	-2.7	-11.4	-8.3	-144.0
Repayment debt to financial institutions	8	-4.3	-4.2	-8.6	-8.3	-15.7
Change other long term loans		0.1	0.0	0.1	0.0	0.1
Interest paid in period		-9.2	-7.7	-16.7	-15.1	-31.5
Paid dividend and Group contributions		-117.1	-100.8	-118.0	-102.2	-103.5
Other financing payments		-5.9	0.3	-6.1	-12.9	-12.9
Cash flow from financing activities		-136.4	-112.4	-149.4	-138.5	-163.5
Total cash flow		-115.6	-74.8	-164.0	-204.4	-107.6
Holdings of cash and cash equivalents at the beginning of period		34.0	74.2	111.7	199.4	199.4
Effect of exchange rate changes on cash and cash equivalents		-14.8	11.5	-44.1	16.0	19.9
Holdings of cash and cash equivalents at the end of period		-96.4	11.0	-96.4	11.0	111.7
Specification of cash and cash equivalents at the end of the period						
Cash and cash equivalents at the end of the period		134.7	126.9	134.7	126.9	184.4
Overdraft cashpool system at the end of the period		-231.1	-115.9	-231.1	-115.9	-72.7
Holdings of cash and cash equivalents at the end of period		-96.4	11.0	-96.4	11.0	111.7

Notes

NOTE 1 ACCOUNTING PRINCIPLES

The Group's condensed interim financial statements are prepared according to IAS 34 Interim Financial Reporting. The interim reporting does not include all information that is normally prepared in a full annual financial statement, and should be read in conjunction with the Group's annual financial statement as at 31.12.2017.

The Board approved the consolidated financial statement for the year 2017 on March 15th 2018.

The accounting principles used in the Group's interim reporting are consistent with the principles presented in the approved financial statement for 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard that has been issued but is not yet effective.

New accounting standards

IFRS 15 Revenue recognition

The Group applies from 2018 for the first time, IFRS 15 Revenue from contracts with customers. The nature and effect of these changes are disclosed in note 2 Revenues.

IFRS 16 Leases

IFRS 16 Leases will replace the existing IFRS standards for leases from 1.1.2019. The accounting effects for the Group will be rather significant. Further information on how the new standard will affect the Group is presented under the chapter accounting policies in the Group's annual statement for 2017. There are no material changes in the estimated impact of accounting effects since the annual statement.

As of 30.06.2018, the following exchange rates have been used in translation of income and financial position figures from subsidiaries with functional currency other than NOK:

Exchange rates		Year to date		Year end
		2018	2017	2017
EUR average rate	Income statement items	9.5981	9.1792	9.3326
EUR closing rate	Balance sheet items	9.4765	9.5737	9.8510
SEK average rate	Income statement items	0.9460	0.9566	0.9684
SEK closing rate	Balance sheet items	0.9078	0.9896	0.9992
DKK average rate	Income statement items	1.2889	1.2343	1.2546
DKK closing rate	Balance sheet items	1.2716	1.2874	1.3231

NOTE 2 REVENUES

New accounting standard – IFRS 15 Revenue from contracts with customers

The new standard have been implemented as of January 1 2018 and establishes a five-step model to account for revenue arising from contracts with customers. As mentioned in the Annual Report, the Group's IFRS 15 analysis did not reveal significant changes from existing principles, hence there are no material effects of implementing the new standard as of January 1 2018.

A codensed presentation of the new accounting principles for IFRS 15 are presented in the following.

Performance obligations and timing;

The Group's contracts with customers for the sale of wine and spirits and distribution services include one performance obligation, and the revenue are recognised at the point in time when control of the products are transferred to the customer, generally on delivery of the products.

Variable and fixed considerations;

Some contracts include variable and fixed considerations like discounts, bonuses or other promotional allowances to customers. Such variable considerations are based on actual sales and expected discounts, and are accounted for in the same period where the sales actually happened.

Presentation;

Until 2017, the Group has accounted for outgoing freight costs as reduced revenues. The new IFRS 15 concludes that the accounting of outgoing freight costs as reduced revenues or as a cost should be based on a consideration if the wine or spirits companies in practice are principals or agents regarding freightservices. The Group's considerations on this matter concluded that the wine and spirits companies are principals, as most contracts with customers include delivery on the customer's warehouse. Based on this, the Group has changed its accounting principle from 2018 regarding outgoing freight, from being accounted for as reduced revenues to being accounted for as cost of sales. The Gross Profit will be unchanged from this change of accounting principle, but revenues are increased with a corresponding increase in cost of sales.

NOTE; The changes of accounting principle from IFRS 15 has only been made at Group level. The segment reporting is still showing freight costs as reduced revenues, which corresponds with the Group's internal reporting.

The Group adopted IFRS 15 using the modified retrospective method of adoption. Below is a reconciliation which show the changes in Q2 and year to date 2018;

Group			
MNOK			
Second quarter			
	IFRS 15 (new standard)	IAS 18 (Old standard)	Change
Total operating revenues			
Total operating revenue	673.4	666.2	7.2
Cost of goods	-398.3	-391.1	-7.2
Gross Profit	275.1	275.1	0.0
Gross margin	40.9 %	41.3 %	-0.4 %

Group			
MNOK			
Year to date			
	IFRS 15 (new standard)	IAS 18 (Old standard)	Change
Total operating revenues			
Total operating revenue	1 230.4	1 214.3	16.0
Cost of goods	-714.0	-698.0	-16.0
Gross Profit	516.3	516.3	0.0
Gross margin ¹⁾	42.0 %	42.5 %	-0.6 %

The following table present the Group's total external revenues by market:

Group					
MNOK					
	Second quarter		Year to date		Year end
Total operating revenues	2018	2017	2018	2017	2017
Norway	256.9	244.6	476.4	437.8	1 020.6
Sweden	296.0	282.7	532.1	485.5	1 019.5
Denmark	23.0	26.3	54.5	55.5	146.1
Finland	60.4	59.3	104.9	101.2	226.0
Germany	7.6	11.8	10.8	16.9	61.4
USA	0.9	1.5	3.6	3.0	3.8
DFTR	27.7	20.3	46.4	39.1	94.9
Other	0.8	0.8	1.6	2.0	2.7
Total operating revenues	673.2	647.4	1 230.2	1 140.9	2 575.1

The following tables present the segments' total external and internal revenues by market:

Spirits

MNOK	Second quarter		Year to date		Year end
Total operating revenues	2018	2017	2018	2017	2017
Norway	98.2	95.4	187.4	179.6	442.9
Sweden	32.1	32.7	60.6	57.7	131.9
Denmark	22.9	26.3	53.8	55.5	146.1
Finland	7.2	7.3	13.4	13.5	33.0
Germany	7.6	11.8	10.8	16.9	61.4
USA	0.9	1.5	3.6	3.0	3.8
DFTR	25.0	19.6	42.2	37.7	91.4
Other	0.8	0.8	1.6	2.0	2.7
Total operating revenues	194.6	195.4	373.3	365.8	913.3

Wine

MNOK	Second quarter		Year to date		Year end
Total operating revenues	2018	2017	2018	2017	2017
Norway	122.5	115.3	226.6	205.8	448.8
Sweden	259.1	249.9	460.0	428.1	895.6
Finland	52.0	52.0	89.3	87.7	193.0
DFTR	2.7	0.7	4.2	1.4	3.5
Total operating revenues	436.2	417.9	780.1	723.0	1 540.9

Distribution

MNOK	Second quarter		Year to date		Year end
Total operating revenues	2018	2017	2018	2017	2017
Norway	77.6	70.8	143.1	129.5	284.4
Total operating revenues	77.6	70.8	143.1	129.5	284.4

NOTE 3 OTHER INCOME AND EXPENSES

Other income and expenses comprises significant positive and negative non-recurring items and restructuring costs. The main purpose of this item is to show these significant non-recurring and non-periodic items, so that the development and comparability of the ordinary items presented in the statement of income are more relevant for the activities.

Other income and expenses during Q2 are related mainly to reversal of a 10 MNOK provision for a legal dispute (positive effect) and the share matching incentive program (cost).

Group

MNOK	Second quarter		Year to date		Year end
Other income and expenses	2018	2017	2018	2017	2017
Salary & personnel cost	-1.6	-2.2	-6.8	-1.1	-4.9
Other operating expenses	11.3	-1.0	11.3	-2.3	-8.2
Other income and expenses	9.7	-3.2	4.5	-3.3	-13.2

Spirits

MNOK	Second quarter		Year to date		Year end
Other income and expenses	2018	2017	2018	2017	2017
Salary & personnel cost	-0.2	0.0	-0.5	0.0	-1.1
Other operating expenses	-0.5	-0.3	-0.5	-0.6	-6.1
Other income and expenses	-0.7	-0.3	-1.0	-0.6	-7.1

Wine

MNOK	Second quarter		Year to date		Year end
Other income and expenses	2018	2017	2018	2017	2017
Salary & personnel cost	-0.9	0.0	-5.3	0.0	-5.2
Other income and expenses	-0.9	0.0	-5.3	0.0	-5.2

Distribution

MNOK	Second quarter		Year to date		Year end
Other income and expenses	2018	2017	2018	2017	2017
Salary & personnel cost	-0.1	0.0	-0.1	0.0	-0.6
Other income and expenses	-0.1	0.0	-0.1	0.0	-0.6

Other

MNOK	Second quarter		Year to date		Year end
Other income and expenses	2018	2017	2018	2017	2017
Salary & personnel cost	-0.5	-2.2	-1.0	-1.1	2.0
Other operating expenses	11.8	-0.7	11.8	-1.7	-2.2
Other income and expenses	11.3	-2.9	10.9	-2.8	-0.2

NOTE 4 SEGMENT INFORMATION

MNOK	Second quarter		Year to date		Year end
External sales	2018	2017	2018	2017	2017
Spirits	156.6	160.5	299.1	292.9	767.6
Wine	429.5	412.9	768.7	714.4	1 521.5
Distribution	65.3	60.0	120.6	109.0	241.0
Other	7.2	0.0	16.0	0.0	0.0
Total external sales	658.6	633.4	1 204.4	1 116.3	2 530.1

MNOK	Second quarter		Year to date		Year end
Sales between segments	2018	2017	2018	2017	2017
Spirits	-0.9	-1.0	-1.9	-1.8	-4.2
Wine	0.6	0.0	1.1	0.0	1.2
Distribution	2.9	2.3	5.5	4.6	10.3
Other	0.0	0.0	0.0	0.0	0.0
Eliminations	-2.5	-1.3	-4.8	-2.8	-7.3
Total sales revenue between segments	0.0	0.0	0.0	0.0	0.0

MNOK	Second quarter		Year to date		Year end
External other revenue	2018	2017	2018	2017	2017
Spirits	1.3	2.7	2.9	4.4	6.7
Wine	6.2	5.0	10.3	8.6	15.1
Distribution	6.7	6.2	12.0	11.5	22.7
Other	0.4	0.1	0.5	0.1	0.5
Total external other revenue	14.6	14.0	25.8	24.5	44.9

MNOK	Second quarter		Year to date		Year end
Other revenue between segments	2018	2017	2018	2017	2017
Spirits	37.5	33.2	73.2	70.3	143.2
Wine	0.0	0.0	0.0	0.0	3.1
Distribution	2.7	2.4	4.9	4.5	10.3
Other	44.0	43.5	87.3	86.7	173.6
Eliminations	-84.2	-79.0	-165.4	-161.5	-330.2
Total other revenue between segments	0.0	0.0	0.0	0.0	0.0

MNOK	Second quarter		Year to date		Year end
EBITDA	2018	2017	2018	2017	2017
Spirits	17.0	27.1	28.2	43.2	175.6
Wine	43.3	45.2	64.6	67.4	186.5
Distribution	4.2	3.8	0.0	-0.6	13.5
Other	6.8	-8.1	-4.6	-20.9	-28.0
Eliminations	0.0	0.0	0.0	0.0	0.0
Total EBITDA	71.3	68.0	88.2	89.0	347.6

MNOK	Second quarter		Year to date		Year end
EBIT	2018	2017	2018	2017	2017
Spirits	10.8	21.1	16.0	31.0	151.5
Wine	42.7	44.7	63.4	66.6	184.7
Distribution	1.5	0.5	-5.6	-7.4	0.7
Other	5.2	-10.0	-7.7	-24.9	-35.7
Eliminations	-1.3	-1.3	-2.6	-2.6	-27.9
Total EBIT	58.9	55.1	63.5	62.8	273.3

MNOK	Second quarter		Year to date		Year end
Total profit for the year	2018	2017	2018	2017	2017
Spirits	-9.5	56.3	-36.5	71.7	196.7
Wine	32.4	26.1	48.2	38.5	124.1
Distribution	1.5	0.3	-4.0	-6.4	-2.4
Other	3.5	-12.8	-6.0	-27.3	-34.6
Eliminations	-1.0	0.1	-2.9	-1.2	-19.0
Total profit for the year	27.0	70.0	-1.2	75.4	264.8

NOTE 5 FIXED ASSETS

MNOK	Second quarter		Year to date		Year end
Fixed Assets	2018	2017	2018	2017	2017
Purchase cost at beginning of period	648.1	631.2	643.7	628.8	628.8
Additions tangible fixed assets	4.2	0.8	10.1	3.5	16.0
Transferred from assets under construction	-0.7	-0.8	-0.7	-1.1	-1.8
Purchase price, disposed assets	0.0	0.0	-0.7	0.0	0.0
Translation differences	-0.5	0.4	-1.3	0.5	0.7
Purchase cost at end of period	651.1	631.7	651.1	631.7	643.7
Accumulated depreciation at beginning of period	-321.0	-287.3	-313.8	-278.5	-278.5
Accumulated depreciation, disposed assets	0.0	0.0	0.7	0.0	0.0
Ordinary depreciation in period	-8.6	-8.7	-17.2	-17.4	-34.7
Translation differences	0.5	-0.3	1.1	-0.4	-0.6
Accumulated depreciation at end of period	-329.2	-296.3	-329.2	-296.3	-313.8
Book Value at end of period	321.9	335.4	321.9	335.4	329.8

Specification of fixed assets

MNOK	Second quarter		Year to date		Year end
Fixed Assets	2018	2017	2018	2017	2017
Machinery and equipment	299.6	312.2	299.6	312.2	304.5
Fixtures and fittings, tools, office equipment etc.	18.1	19.2	18.1	19.2	19.6
Assets under construction	4.1	3.9	4.1	3.9	5.7
Book Value at end of period	321.9	335.4	321.9	335.4	329.8

NOTE 6 INTANGIBLE ASSETS

MNOK	Second quarter		Year to date		Year end
Intangible assets	2018	2017	2018	2017	2017
Purchase cost at beginning of period	2 036.8	1 873.7	2 066.4	1 845.2	1 845.2
Addition of intangible assets	0.9	1.9	1.5	6.0	124.8
Acquisition of business	0.0	0.0	0.0	15.9	20.8
Transferred from assets under construction	0.7	0.8	0.7	1.1	1.8
Translation differences	-15.6	40.4	-46.0	48.6	73.8
Purchase cost at end of period	2 022.7	1 916.8	2 022.7	1 916.8	2 066.4
Acc. depreciation and amortizations at beginning of period	-178.6	-139.8	-175.0	-135.2	-135.2
Depreciation in period	-1.8	-2.5	-3.6	-5.3	-9.6
Amortisations in period	-1.9	-1.8	-3.9	-3.6	-7.4
Write downs in period	0.0	0.0	0.0	0.0	-22.7
Translation differences	0.1	0.0	0.2	0.0	-0.1
Acc. depreciation and amortizations at end of period	-182.3	-144.1	-182.3	-144.1	-175.0
Book Value at end of period	1 840.4	1 772.7	1 840.4	1 772.7	1 891.4

Specification of intangible assets

MNOK	Second quarter		Year to date		Year end
Intangible assets	2018	2017	2018	2017	2017
Goodwill	1 015.4	1 051.8	1 015.4	1 051.8	1 042.6
Brands	797.6	692.5	797.6	692.5	819.7
Software	27.4	28.4	27.4	28.4	29.1
Book Value at end of period	1 840.4	1 772.7	1 840.4	1 772.7	1 891.4

NOTE 7 LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

MNOK	Second quarter		Year to date		Year end
Liabilities at fair value through profit and loss	2018	2017	2018	2017	2017
Book value at beginning of period	0.0	13.8	0.0	24.1	24.1
Additions in period	67.9	0.0	67.9	0.0	0.0
Paid during period	0.0	0.0	0.0	-10.5	-10.5
Changes in value during period	0.0	0.0	0.0	0.1	-13.7
Interest during period	0.0	0.0	0.0	0.0	0.0
Book value at end of period	67.9	13.8	67.9	13.8	0.0
<i>From this;</i>					
Current liability	0.0	13.8	0.0	13.8	0.0
Non-current liability	67.9	0.0	67.9	0.0	0.0
Total liabilities through profit and loss	67.9	13.8	67.9	13.8	0.0

Additions during Q2 2018 represents fair value of put options regarding minority shares in companies included in the Wine business, held by non-controlling interests.

NOTE 8 DEBT TO FINANCIAL INSTITUTIONS

Liabilities to financial institutions, including financial leasing

MNOK	Second quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Debt to financial institutions					
Debt at beginning of period	883.3	915.4	933.2	910.8	910.8
New debt in period	0.0	0.0	0.0	0.0	0.0
Repayments in period	-4.3	-4.2	-8.6	-8.3	-15.7
Translation differences	-23.0	22.2	-68.6	30.9	38.1
Debt to financial institutions at end of period	856.0	933.4	856.0	933.4	933.2
Capitalized borrowing costs at beginning of period	-5.9	-7.6	-6.5	-8.0	-8.0
Amortized borrowing costs during period	0.4	0.4	0.8	0.8	1.7
Translation differences	0.1	-0.2	0.3	-0.2	-0.2
Capitalized borrowing costs at end of period	-5.4	-7.4	-5.4	-7.4	-6.5
Book value debt to financial institutions at end of period	850.6	926.0	850.6	926.0	926.6

Current liabilities to financial institutions, including financial leasing and bank overdraft

MNOK	Second quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Liabilities to financial institutions					
Current portion of non-current loans	0.0	0.0	0.0	0.0	0.0
Current portion of non-current financial leasing	12.0	16.5	12.0	16.5	17.4
Bank overdraft	231.1	115.9	231.1	115.9	72.7
Current liabilities to financial institutions at end of period	243.2	132.4	243.2	132.4	90.1

NOTE 9 TRANSACTIONS WITH RELATED PARTIES

In addition to subsidiaries and associated companies, the Group's related parties are defined as the owners, all members of the Board of Directors and Group senior management, as well as companies in which any of these parties have either controlling interests, board appointments or are senior staff. All transactions with related parties that are not eliminated in the Group accounts are presented below:

Sale and purchase transactions with related parties

MNOK	Second quarter		Year to date		Year end
Purchase of goods and services	2018	2017	2018	2017	2017
Tiffon SA	12.2	10.5	22.1	20.2	52.7
Hoff SA	7.3	5.6	13.5	11.9	22.4
Gjelleråsen Eiendom AS ¹⁾	0.0	0.0	0.0	0.0	79.2
Destilleriveien 11 AS ¹⁾	7.5	19.8	27.6	39.6	0.0
Total purchase transactions	27.1	35.9	63.2	71.7	154.3

MNOK	Second quarter		Year to date		Year end
Sale of goods and services	2018	2017	2018	2017	2017
Tiffon SA	2.0	0.9	2.4	2.9	3.7
Total sale transactions	2.0	0.9	2.4	2.9	3.7

Receivables and debt at end of period

MNOK	Year to date		Year end
Short term receivables from related parties	2018	2017	2017
Tiffon SA	0.9	0.0	0.2
Total short term receivables from related parties	0.9	0.0	0.2

MNOK	Year to date		Year end
Short term debt to related parties	2018	2017	2017
Tiffon SA	4.0	3.7	10.8
Hoff SA	2.2	3.8	1.1
Total short term debt to related parties	6.2	7.6	12.0

¹⁾ The property at Gjelleråsen was transferred from Gjelleråsen Eiendom AS to Destilleriveien 11 AS as of January 1st 2018. As of 31.04.2018, the property was sold from Canica AS to Storebrand, and the rent for the property after that time is no longer a related party transaction.

NOTE 10 FINANCIAL INSTRUMENTS

Categorisations of financial assets and liabilities

MNOK	Financial instruments at fair value through profit and loss	Loans and receivables	Assets available for sale	Financial liabilities	Total book value at end of period
Assets					
Other investments in shares	0.0	0.0	0.2	0.0	0.2
Other long term receivables	0.0	1.1	0.0	0.0	1.1
Accounts receivables	0.0	1 042.7	0.0	0.0	1 042.7
Other receivables	0.0	73.3	0.0	0.0	73.3
Cash and cash equivalents	0.0	134.7	0.0	0.0	134.7
Total financial assets as of second quarter 2018	0.0	1 251.7	0.2	0.0	1 251.9
Total financial assets as of second quarter 2017	0.4	1 191.5	0.2	0.0	1 192.1
Liabilities					
Liabilities to financial institutions	0.0	0.0	0.0	850.5	850.5
Liabilities at fair value through profit and loss	67.9	0.0	0.0	0.0	67.9
Accounts payable	0.0	0.0	0.0	536.9	536.9
Other current debt	0.2	0.0	0.0	17.3	17.5
Total financial liabilities as of second quarter 2018	68.1	0.0	0.0	1 404.7	1 472.8
Total financial liabilities as of second quarter 2017	13.8	0.0	0.0	1 394.1	1 407.9

Fair value hierarchy

Assets					
MNOK	Level 1	Level 2	Level 3	Book Value	
Currency derivatives	0.0	0.0	0.0	0.0	
Total financial assets	0.0	0.0	0.0	0.0	
Liabilities					
MNOK	Level 1	Level 2	Level 3	Book Value	
Liabilities at fair value through profit and loss	0.0	0.0	67.9	67.9	
Currency derivatives	0.2	0.0	0.0	0.2	
Total financial liabilities	0.2	0.0	67.9	68.1	

There has not been any transfers of financial assets or liabilities between levels during the period.

Changes financial liabilities, level 3

MNOK	Second quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Financial liabilities, level 3, at beginning of period	0.0	13.8	0.0	24.1	24.1
Fair value at the first time of recognition	67.9	0.0	67.9	0.0	0.0
Paid during the period	0.0	0.0	0.0	-10.5	-10.5
Changes in value during the period	0.0	0.0	0.0	0.1	-13.7
Interest during period	0.0	0.0	0.0	0.0	0.0
Financial liabilities, level 3 at end of period	67.9	13.8	67.9	13.8	0.0

At the end of the period, liabilities measured at fair value, categorized at level 3 in the fair value hierarchy is related to put-options held by non-controlling interests in wine companies in Norway and Sweden. The liabilities for these put-options are estimated on the basis of pricing mechanisms that underlie the shareholder agreements, discounted to the balance sheet date. The main parameters of price mechanisms share value development measured by EBIT (earnings) until the estimated due date, multiplied by a marketbased multiple. As a basis for EBIT, the Group's budgets and long term plans towards expected maturity date is used.

NOTE 11 OPTIONS

During Q2 2018, the General Meeting granted new options to the Group Executive Management and a few other key employees. The table below show outstanding options from 2017 and 2018.

As of end of Q2 2018, the Group Executive Management holds 2.128.831 options. The share options has a vesting period of three years and the options can be exercised during the next two years. The options will expire after five years.

Changes in outstanding options are shown in the table below;

Number of options	Second quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Change in number of options:					
Outstanding options beginning of period	1 229 304	0	1 229 304	0	0
Issued during period	1 484 923	1 407 368	1 484 923	1 407 368	1 407 368
Exercised during the period	0	0	0	0	0
Forfeited during the period	-41 260	0	-41 260	0	-178 064
Outstanding options end of period	2 672 967	1 407 368	2 672 967	1 407 368	1 229 304

Option calculation assumptions:	Options #2017		Options #2018	
Grant date	May 4th 2017		April 11th 2018	
Total outstanding options at end of period:	1 188 044		1 484 923	
Vesting period	May 2017-May 2020		April 2018-April 2021	
Redemption period	May 2020-May 2022		April 2021-April 2023	
Share price on the allocation date	NOK	47.90	NOK	43.70
Share price on the balance sheet date	NOK	42.50	NOK	42.50
Redemption price - minimum	NOK	51.53	NOK	45.22
Redemption price - maximum	NOK	143.70	NOK	127.50
Risk-free interest rate	%	1.4 %	%	1.4 %
Volatility	%	22.0 %	%	22.0 %
Expected dividend	%	3.4 %	%	3.4 %

NOTE 12 FINANCIAL INCOME AND EXPENSES

MNOK	Second quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Interest income	3.1	1.4	5.2	2.8	6.7
Other financial income	0.2	1.4	0.2	1.3	19.2
Total financial income	3.2	2.7	5.3	4.0	25.9
Interest cost	-9.2	-7.7	-16.7	-15.1	-31.5
Other financial expenses	-2.6	-2.8	-7.5	-5.8	-9.0
Total financial expenses	-11.7	-10.5	-24.2	-21.0	-40.4
Net financial profit/loss	-8.5	-7.8	-18.8	-16.9	-14.6

Other financial expenses during Q2 is mainly consisting of amortized borrowing costs and agio effects.

NOTE 13 OTHER EVENTS

Events after the close of Q2 2018

The group's largest owner, Canica passed the threshold of 1/3 ownership in Arcus ASA 12 June. On 5 July Canica put forward a mandatory offer to all Arcus' shareholders to buy their shares at 45 NOK each. The offer was valid until 2 August. Canica received acceptances corresponding to approximately 6.63 per cent of the issued shares and votes in Arcus, increasing their ownership to 40,01 percent. More information is provided in the section "Financial position and other information".

No significant other events have occurred between the close of quarter and the date on which Arcus's interim financial statements for Q2 2018 were approved. This applies to events that would have provided knowledge of factors present at the close of Q2 2018, or events concerning matters that have arisen since the close of Q2 2018.

Alternative Performance Measures (APM)

In the discussion of the reported operating results, financial position, cash flows and notes, the Group refers to certain alternative performance measures (APM), which are not defined by generally accepted accounting principles (GAAP) such as IFRS.

Arcus ASA management makes regular use of these alternative performance measures and is of the opinion that this information, along with comparable GAAP measures, is useful to investors who wish to evaluate the company's operating performance, ability to repay debt and capability to pursue new business opportunities. Such alternative performance measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

Gross Profit

Gross profit is defined by Arcus ASA as total operating revenue minus the cost of goods sold.

Gross margin = Gross profit / Total revenue

Group

MNOK	Second quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Total operating revenues	673.2	647.4	1 230.2	1 140.9	2 575.1
Cost of goods	-398.3	-367.8	-714.0	-636.4	-1 408.5
Gross Profit	274.9	279.6	516.2	504.5	1 166.5

Spirits

MNOK	Second quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Total operating revenues	194.6	195.4	373.3	365.8	913.3
Cost of goods	-94.7	-87.2	-176.2	-161.3	-404.9
Gross Profit	99.9	108.2	197.2	204.4	508.4

Wine

MNOK	Second quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Total operating revenues	436.2	417.9	780.1	723.0	1 540.9
Cost of goods	-335.9	-315.4	-599.0	-548.1	-1 154.4
Gross Profit	100.3	102.5	181.1	174.9	386.5

Distribution

MNOK	Second quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Total operating revenues	77.6	70.8	143.1	129.5	284.4
Cost of goods	0.0	0.0	0.0	0.0	0.0
Gross Profit	77.6	70.8	143.1	129.5	284.4

Other income and expenses

To provide more information in the Group's consolidated income statement, significant positive and negative non-recurring items and restructuring costs are separated out to a separate line in the statement of income called other income and expenses. Other income and expenses are presented net on this income statement line. See also detailed specifications of what these items include in note 3 relating to the individual line items.

EBITDA and EBITDA Adjusted

EBITDA is defined by Arcus ASA as operating profit before depreciation, write down and amortisation.

EBITDA adjusted is defined by Arcus ASA as operating profit before depreciation, amortisation and other income and expenses.

$EBITDA\text{-margin} = EBITDA / \text{Total operating revenue}$

$EBITDA\text{-margin adjusted} = EBITDA\text{ adjusted} / \text{Total operating revenue}$

Below is a reconciliation from EBIT to EBITDA adjusted:

Group

MNOK	Second quarter		Year to date		Year end
EBITDA adjusted	2018	2017	2018	2017	2017
EBIT	58.9	55.1	63.5	62.8	273.3
Depreciation, amortisations and write downs	12.4	12.9	24.7	26.3	74.3
EBITDA	71.3	68.0	88.2	89.0	347.6
Other income and expenses	-9.7	3.2	-4.5	3.3	13.2
EBITDA adjusted	61.6	71.1	83.7	92.4	360.8

Spirits

MNOK	Second quarter		Year to date		Year end
EBITDA adjusted	2018	2017	2018	2017	2017
EBIT	10.8	21.1	16.0	31.0	151.5
Depreciation, amortisations and write downs	6.1	6.0	12.2	12.1	24.1
EBITDA	17.0	27.1	28.2	43.2	175.6
Other income and expenses	0.7	0.3	1.0	0.6	7.1
EBITDA adjusted	17.6	27.4	29.2	43.7	182.8

Wine

MNOK	Second quarter		Year to date		Year end
EBITDA adjusted	2018	2017	2018	2017	2017
EBIT	42.7	44.7	63.4	66.6	184.7
Depreciation, amortisations and write downs	0.6	0.4	1.2	0.8	1.8
EBITDA	43.3	45.2	64.6	67.4	186.5
Other income and expenses	0.9	0.0	5.3	0.0	5.2
EBITDA adjusted	44.2	45.2	69.9	67.4	191.7

Distribution

MNOK	Second quarter		Year to date		Year end
EBITDA adjusted	2018	2017	2018	2017	2017
EBIT	1.5	0.5	-5.6	-7.4	0.7
Depreciation, amortisations and write downs	2.8	3.4	5.6	6.8	12.8
EBITDA	4.2	3.8	0.0	-0.6	13.5
Other income and expenses	0.1	0.0	0.1	0.0	0.6
EBITDA adjusted	4.3	3.8	0.1	-0.6	14.1

Parent Company

MNOK	Second quarter		Year to date		Year end
EBITDA adjusted	2018	2017	2018	2017	2017
EBIT	5.2	-10.0	-7.7	-24.9	-35.7
Depreciation, amortisations and write downs	1.5	1.9	3.1	4.0	7.7
EBITDA	6.8	-8.1	-4.6	-20.9	-28.0
Other income and expenses	-11.3	2.9	-10.9	2.8	0.2
EBITDA adjusted	-4.6	-5.3	-15.5	-18.1	-27.8

Other definitions alternative performance measures shown in key figures table:**Equity ratio**

Equity ratio = Total equity/Total equity and liabilities

Net interest bearing debt

Net interest bearing debt = Liabilities to financial institutions + finance lease liabilities + bank overdraft - Cash and cash equivalents:

MNOK	Year to date		Year end
	2018	2017	2017
Net interest bearing debt			
Non-current liabilities to financial institutions	675.4	734.8	742.8
Book value of Capitalized arrangement fees	5.4	7.4	6.5
Non-current finance lease liabilities	163.1	174.7	166.4
Bank Overdraft	231.1	115.9	72.7
Current finance lease liabilities	12.0	16.5	17.4
Cash and cash equivalents	-134.7	-126.9	-184.4
Net interest bearing debt	952.4	922.4	821.4

Organic growth

Organic revenue growth represent the Segment's and the Group's revenues, adjusted for currency effects and structural changes, such as acquisitions or divestitures.

Group

MNOK	Second quarter		Year to date	
	2018	2017	2018	2017
Total revenues				
Reported total operating revenues	673.2	647.4	1 230.2	1 140.9
Currency effects	0.0	-10.6	0.0	2.8
Structural changes	-13.6	0.0	-27.9	0.0
Baseline organic growth	659.6	636.8	1 202.3	1 143.7

Spirits

MNOK	Second quarter		Year to date	
	2018	2017	2018	2017
Total revenues				
Reported total operating revenues	194.6	195.4	373.3	365.8
Currency effects	0.0	-0.5	0.0	3.5
Structural changes	-7.4	0.0	-14.0	0.0
Baseline organic growth	187.2	194.9	359.3	369.3

Wine

MNOK	Second quarter		Year to date	
	2018	2017	2018	2017
Total revenues				
Reported total operating revenues	436.2	417.9	780.1	723.0
Currency effects	0.0	-10.1	0.0	-0.7
Structural changes	1.1	0.0	2.1	0.0
Baseline organic growth	437.3	407.8	782.2	722.3

Distribution

MNOK	Second quarter		Year to date	
	2018	2017	2018	2017
Total revenues				
Reported total operating revenues	77.6	70.8	143.1	129.5
Currency effects	0.0	0.0	0.0	0.0
Structural changes	0.0	0.0	0.0	0.0
Baseline organic growth	77.6	70.8	143.1	129.5

Contact information

CONTACT PERSON

Per Bjørkum, Group Director Communications and IR

Mobile: +47 922 55 777

E-mail: per.bjorkum@arcus.no

VISITING ADDRESS:

Destilleriveien 11, Hagan, Norway

MAIL ADDRESS:

Postboks 64, N-1483 Hagan, Norway

TELEPHONE:

+47 67 06 50 00

WEB

<https://www.arcus.no/en/investor>

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